



DEPARTMENT OF THE ARMY
ACQUISITION SUPPORT CENTER
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FORT BELVOIR, VIRGINIA 22060-5567

SFAE

**MEMORANDUM FOR MANAGEMENT CONTROL ADMINISTRATOR, OFFICE OF
THE ASSISTANT SECRETARY OF THE ARMY
(ACQUISITION, LOGISTICS AND TECHNOLOGY)**

SUBJECT: Fiscal Year 2006 (FY06) Annual Statement of Assurance on Management Controls

I have conducted a thorough review and analysis of the U.S. Army Acquisition Support Center (ASC) Management Control Plan (MCP) and find that the management control process within ASC provides reasonable assurance that:

- a. Assets are safeguarded against waste, loss, unauthorized use or misappropriation.
- b. Obligations and costs comply with applicable laws and regulations.
- c. Revenues and expenditures applicable to ASC operations are properly recorded and accounted for to permit the preparation of accounts, reliable financial and statistical reports, and to maintain accountability over the assets.
- d. Programs and administrative functions are efficiently and effectively executed in accordance with applicable laws and management policy.
- e. All ASC command policy letters are being reviewed and updated to improve this organization's management control.

My assessment is based on my overall knowledge of these management controls, evaluations of their effectiveness, all known audits, inspections and other reviews, and the overall awareness of my staff. Regulations and command policy letters are maintained in all divisions to ensure ASC-wide understanding of essential Army policies and requirements that must be followed and enforced by each division/staff.

The application of all scheduled management reviews is based on a general understanding and adherence to AR 11-2. Management control and methods of evaluation used throughout the organization did not detect any management control deficiencies that I consider as material weakness.

The ASC responsible official for the Annual Statement of Assurance is Maria Holmes, (703) 805-5496 or email: maria.holmes@us.army.mil.

A handwritten signature in black ink, appearing to read 'C. A. Spisak', with a stylized, sweeping flourish extending to the right.

CRAIG A. SPISAK
Director

DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE AND HOW THE EVALUATION WAS CONDUCTED

Tab A

Purpose:

The system of internal accounting and administrative control, of the Acquisition Support Center (ASC), in effect during the fiscal year ending September 30, 2006, was evaluated in accordance with the guidance in Office of Management and Budget (OMB) Circular No. A-123 (Revised), "Management Accountability and Control," dated June 21, 1995, as implemented by DoD Directive 5010.38, "Management Control Program," dated August 26, 1996 and DoD Instruction 5010.40, "Management Control Program Procedures," dated August 28, 1996. The OMB guidelines were issued by the OMB Director, in consultation with the Comptroller General of the United States, as required by the "Federal Managers' Financial Integrity Act of 1982." Included is an evaluation of whether the system of internal accounting and administrative control of the ASC is in compliance with the standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative control of the ASC are to provide reasonable assurance that:

- The obligations and costs are in compliance with applicable laws
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation
- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of reliable accounting, financial and statistical reports and to maintain accountability over the assets.

The evaluation of management controls extends to every responsibility and activity undertaken by the ASC and is applicable to financial, administrative and operational controls. Furthermore, the concept of reasonable assurance recognizes that (1) the cost of management controls should not exceed the benefits expected to be derived and (2) the benefits consist of reductions in the risks of failing to achieve the stated objectives. The expected benefits and related costs of control procedures should be addressed using estimates and managerial judgment. Moreover, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Finally, projection of any evaluation of the system to future periods is subject to risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Therefore, statements of reasonable assurance are provided within the limits of the preceding description.

Reasonable Assurance:

The evaluation was performed in accordance with the guidelines identified above. The results indicate that the system of internal accounting and administrative control of the ASC in effect during the fiscal year that ended September 30, 2006, taken as a whole, complies with the requirement to provide reasonable assurance that the above mentioned objectives were achieved. This position on reasonable assurance is within the limits described in the preceding paragraph.

The description of how the evaluation was conducted:

The ASC evaluations were conducted based on ASC's Management Control Plan and in accordance with (IAW) the guidance from the Office of the Assistant Secretary of the Army, Financial Management and Comptroller memorandum, "Fiscal Year 2006 (FY06) Annual Statement of Assurance on Management Controls," dated 23 December 2005 and from the Office of the Assistant Secretary of the Army, Acquisition, Logistics and Technology memorandum, "Fiscal Year 2006 (FY06) Annual Statement of Assurance on Management Controls," dated 29 March 2006.

Objective assessments of internal management controls were conducted by using various methods to determine reasonable assurance. The majority of the evaluations were conducted IAW Army Regulation Checklists that pertained to the specific area evaluated this FY. After reviewing checklist evaluations and alternative methods, additional facts were considered that indicated an unqualified statement of assurance, such as: readiness reviews, management control training, leadership briefings, and re-arrangement of the administrative section, producing ASC's first Strategic Plan and Human Capital Strategic Plan and significant process improvements of each division within the last year. Also, significant progress was made in documenting and/or improving processes throughout the organization (all processes are reviewed, briefed and staffed for accuracy). There is an exceptional level of confidence that management controls are in place and operating as intended.

Basis for Reasonable Assurance:

ASC bases its determination of reasonable assurance on a wide variety of factors, including:

- Updated sound policies and the specific required actions in AR 25-1 Information Assurance and C4/IT support and services
- Prevention and detection measures, such as readiness reviews, continuous process improvements and information system quality control reviews
- The Command Climate Survey, general knowledge of command operations and specific operations within each division to include operations derived from bi-weekly staff meetings, weekly significant activity report submissions, quarterly readiness reviews, analysis sessions and other forms of command oversight
- Actions taken within each division to mitigate risk, especially minimal risk taken within Automation Support
- Clear goals, objectives, core functions, metrics that were developed for ASC's five year Strategic Plan
- Individual improvements based on annual and mid-point performance reviews conducted by supervisors
- Financial management efficient and effective enforced savings measures put in place, when needed
- Management control evaluation conducted IAW ASC's Management Control Plan

Tab A-2

Other Information Required:

Leadership Emphasis: ASC is a vigorous promoter and supporter of internal controls. The Senior Leadership has established a Management Control Plan to manage effectively and to promptly identify issue areas for correction.

Training: ASC's management control administrator (MCA) throughout the year received training this past November in Washington D.C. The recent MCA will receive training May 2006.

Execution: One of the most significant accomplishments in ASC, this FY, is the improvement in administering the management controls and enhancing the effectiveness of the management control program. It is evident in ASC's approach and progress made in process improvements throughout the organization.